

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 157 – HB 151

February 12, 2013

SUMMARY OF ORIGINAL BILL: Limits the initial total enrollment of a virtual public school to 1,500 students. Limits the enrollment of students, residing outside the local education agency (LEA) that is establishing the virtual public school, to 25 percent of the total enrollment. Authorizes virtual public schools, in existence as of January 1, 2013, to continue to serve the students enrolled at the school. Authorizes a virtual public school that has student achievement growth scores of “at expectations”, as determined by the school’s Tennessee Value Added Assessment (TVAAS) data, to exceed the initial enrollment cap of 1,500 students. A virtual public school with satisfactory TVAAS scores shall not exceed the out-of-LEA enrollment cap of 25 percent, nor enroll more than of 5,000 students regardless of TVAAS scores.

Authorizes the Commissioner of Education to reinstitute the enrollment caps or direct the LEA to close any virtual public school that has TVAAS data indicating a level of “significantly below expectations” for two consecutive years. If enrollment caps are reinstituted, the caps shall impact students enrolled at the school at the time of the Commissioner’s action. Defines “two consecutive years” as including at least one year that is representative of the 2012-2013 school year or later.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact - To the extent the Commissioner exercises the option to close the Tennessee Virtual Academy (the Academy) located in Union County, state Basic Education Program (BEP) funding allocated for Academy out-of-district students in Union County will decrease by an amount exceeding \$7,000,000. The Union County LEA will also have a reduction in state BEP revenue exceeding \$7,000,000. These reductions will occur in the second fiscal year after the closure of the Academy.

Any change in expenditures for Union County, resulting from the reduced state BEP funding, will be permissive and dependent upon the funding decision by Union County. In addition to the fiscal impacts estimated above, there will be a recurring increase in BEP state expenditures in the second fiscal year after the Academy closes, of an amount reasonably estimated to exceed \$7,000,000, but this amount could be more or less depending upon the specific LEA such transferring Tennessee Virtual Academy students elect to attend and the fiscal year of any such closure.

SUMMARY OF AMENDMENT (003103): Deletes the original bill. Limits the initial total enrollment of a virtual public school to 1,500 students. Authorizes virtual public schools, in existence as of January 1, 2013, to continue to serve the students enrolled at the school. Authorizes a virtual public school that has student achievement growth scores of “at expectations”, as determined by the school’s Tennessee Value Added Assessment (TVAAS) data, to exceed the initial enrollment cap of 1,500 students. A virtual public school with satisfactory TVAAS scores may exceed the enrollment cap.

Authorizes the Commissioner of Education to reinstitute the enrollment caps or direct the LEA to close any virtual public school that has TVAAS data indicating a level of “significantly below expectations” for two consecutive years. If enrollment caps are reinstituted, the caps shall not impact students enrolled at the school at the time of the Commissioner’s action. If the Commissioner closes the virtual public school, the state Basic Education Program (BEP) funding for virtual public school out-of-district students, will follow the students to the LEA to which such students transfer in the first fiscal year after any closure.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact - To the extent the Commissioner exercises the option to close the Tennessee Virtual Academy (the Academy) located in Union County, state Basic Education Program (BEP) funding allocated for Academy out-of-district students in Union County will decrease by an amount exceeding \$7,000,000. The Union County LEA will also have a reduction in state BEP revenue exceeding \$7,000,000. These reductions will occur in the first fiscal year after the closure of the Academy.

Any change in expenditures for Union County, resulting from a reduction in Union County’s required maintenance of effort, will be permissive and dependent upon the funding decision by Union County. In addition to the fiscal impacts estimated above, there will be a recurring increase in BEP state expenditures in the first fiscal year after the Academy closes, of an amount reasonably estimated to exceed \$7,000,000, but this amount could be more or less depending upon the specific LEA such as transferring Tennessee Virtual Academy students elect to attend and the fiscal year of any such closure.

Assumptions for the bill as amended:

- To the extent the Commissioner of Education elects to close the Tennessee Virtual Academy located within the Union County LEA, there will be a reduction in state and local BEP funding beginning in the first year following closure of the Academy. The precise reduction in funding is unknown, but is reasonably estimated to exceed

\$7,000,000 since the Union County LEA received \$7,152,000 in state BEP growth funds in FY11-12 for students attending the Academy.

- Any change in state BEP funding for the LEAs that receive the transferring out-of-district Academy students is dependent upon multiple unknown factors such as the LEAs to which the students transfer, the precise number of students transferring into any single LEA, and the BEP per pupil expenditure for the LEA receiving the transfer student. As a result, state BEP funding to the LEAs receiving the transfer students could increase or decrease. Any such change in state BEP funding for these LEAs will take place in the first fiscal year after any closure. Any resulting decrease in local BEP match funding for the Union County LEA is unknown and would be at the discretion of Union County; therefore, any permissive decrease in local government (Union County) expenditures is unknown.
- Local expenditures, for any LEA receiving the out-of-district Academy students, will not significantly increase because the majority of LEAs are currently funding at a level that is above their required local BEP match, and further because the LEAs to which they transfer have enough flexibility within their budgets and other resources to absorb the transferring of Academy students into school operations.
- There will not be a significant change or shift in state or local BEP funding for other virtual public schools since the Academy in Union County is the only school that houses out-of-district students.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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